

## Message Text

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16

ACTION EB-07

INFO OCT-01 AF-06 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 FRB-03 H-02 INR-07 INT-05 L-02 LAB-04 NSAE-00

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TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01 /083 W

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R 121530Z MAR 75

FM AMEMBASSY COTONOU

TO SECSTATE WASHDC 6992

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EO 11652: NA

TAGS: EINV, ETRD, DM, US

SUBJ: TRADE ACT OF 1974 - COUNTRY ELIGIBILITY FOR GENERALIZED  
PREFERENCES (GSP)

REF A. STATE 23113 B. STATE 51555

1. THE FOLLOWING CASES MAY AFFECT DAHOMEY'S ELIGIBILITY FOR  
PARTICIPATION IN THE GSP UNDER SECTIONS 502 (B) (4) OF THE  
1974 TRADE ACT:

A) NATIONALIZATION OF THE OIL DISTRIBUTION COMPANIES IN  
DAHOMY, 4 DEC 74 (SEE COTONOU 1877 AND COTONOU 1947 AND  
COTONOU 1993, ALL DEC 74). WHILE DAHOMEAN GOVT HAS PROMISED TO  
COMPENSATE OIL FIRMS FOR THEIR NATIONALIZED PROPERTIES, TO DATE  
IT HAS SETTLED WITH ONLY ONE OF FIVE COMPANIES (ROYAL DUTCH  
SHELL). THIS LUCKY COMPANY HAD FOR SOME TIME BEEN PRESSING  
THE GOVT TO PURCHASE ITS INTERESTS. THE GOVT SETTLED WITH IT  
FORTHWITH, PROBABLY TO DEMONSTRATE THAT IT WOULD EVENTUALLY  
PAY COMPENSATION FOR THE FOREIGN BANK AND OTHER PETROLEUM INT-  
ERESTS TAKEN OVER. SUBSIDIARIES OF TWO AMERICAN OIL FIRMS ARE  
INVOLVED: TEXACO AND MOBIL. NEGOTIATIONS ON INDEMNIFICATION  
WITH THESE FIRMS HAVE NOT YET BEGUN, ALTHOUGH THE COMPANIES,  
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WITHIN A FEW WEEKS OF THE TAKE OVER, SUBMITTED THEIR ESTIMATES

OF THE NET WORTH OF THEIR DAHOMEAN OPERATIONS AS OF THE THE  
DATE OF NATIONALIZATION TO A GOVT-APPOINTED COMMISSION. THESE  
SUBMISSIONS ARE SAID TO BE STILL UNDER STUDY BY THE COMMISSION.

B) GOVT TAKE-OVER OF SHARES IN TWO PRIVATE BANKS IN DAHOMEY  
(SEE COTONOU 1865 OF DEC 74) ON DEC 2, THE DAHOMEAN GOVT DECIDED  
UNILATERALLY TO ASSUME SHARES IN TWO OF THE PRIVATE BANKS  
IN DAHOMEY (AND IT NATIONALIZED TWO OTHER PRIVATE BANKS).  
THE GOVERNMENT TOOK 50 PERCENT IN ONE BANK, BICI, WHERE THE  
BANK OF AMERICAN CONTROLS ABOUT 12 PERCENT OF THE OUTSTANDING  
STOCK, AND 10 PERCENT IN ANOTHER BANK, BIAO, WHERE FIRST  
NATIONAL CITY CORP CONTROLS 49 PERCENT OF THE OUTSTANDING STOCK.  
TO DATE, NO DISCUSSIONS HAVE TAKEN PLACE REGARDING THE INDEMN-  
IFICATION OF SHAREHOLDERS OF THE TWO BANKS, DESPITE PREVIOUS  
GOVT ASSURANCES THAT TALKS ON THE SUBJECT WOULD COMMENCE FEB 1.

2. NEITHER OF THE ABOVE CASES WOULD SEEM TO WARRANT EXCLUSION  
OF DAHOMEY FROM MEMBERSHIP IN THE GSP SINCE THE DAHOMEAN  
GOVT HAS INDICATED ITS INTENTION TO PAY COMPENSATION FOR THE  
INTERESTS TAKEN OVER (WE HAVE NO WAY OF KNOWING AT THIS POINT  
WHETHER THE SETTLEMENTS TO BE OFFERED WILL BE FAIR AND  
ADEQUATE.)

3. SECTION 502 (B) (6) DOES NOT APPLY TO DAHOMEY BECAUSE THERE  
HAS BEEN NO DISPUTE WITH AN AMERICAN CORP OR CITIZEN INVOLV-  
ING ARBITRATION SINCE DAHOMEY'S INDEPENDENCE.  
ENGLE

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## Message Attributes

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